



County of Los Angeles

CHIEF ADMINISTRATIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION • LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
<http://cao.co.la.ca.us>

DAVID E. JANSSEN
Chief Administrative Officer

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July 1, 2003

To: Supervisor Yvonne Brathwaite Burke, Chair
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From: David E. Janssen
Chief Administrative Officer

FEDERAL LEGISLATIVE UPDATE

Last week, before leaving for the Independence Day recess, both the Senate and House passed Medicare prescription drug legislation (S. 1/H.R. 1), which includes a number of non-Medicare health provisions that the County will pursue in Conference Committee, based on policies included in the Federal Agenda adopted by your Board on February 3, 2003. The Senate passed its bill, 76 to 21, while the House passed its bill by a single vote, 216 to 215. Given the close House vote and the difficulty of reaching agreement on a Medicare prescription drug package that can pass both houses, the conference negotiations are expected to take most of July and may not be completed by the August recess. Non-Medicare provisions of County interest are discussed below:

Medicaid Disproportionate Share Hospital (DSH) Funding

Current Law: California's DSH allotment fell from \$1,047.0 million in Federal Fiscal Year (FFY) 2002 to \$890.2 million in FFY 2003 due to DSH cuts enacted in the Balanced Budget Act (BBA) of 1997, which were postponed until FFY 2003 under the Benefits Improvement Protection Act (BIPA) of 2000. Under current law, annual DSH allotments are indexed for changes in Consumer Price Index (CPI).

House Bill: Beginning in FFY 2004, H.R. 1 would increase a state's annual Medicaid DSH allotment to the higher of 120% of its FFY 2003 DSH allotment or its allotment as

computed under current law, which adjusts DSH allotments annually for changes in the CPI. This would increase California's DSH allotment to \$1,068.2 million per year in FFYs 2004 through 2010. Based on the Congressional Budget Office's (CBO) CPI estimates, beginning in FFY 2011, California's annual DSH allotment would exceed \$1,068.2 million due to the cumulative growth in the CPI since FFY 2003.

Senate Bill: S. 1 would increase Medicaid DSH allotments for FFYs 2004 and 2005 by half of the difference between the amount a state received in FFY 2002 under BIPA of 2000 increased for CPI growth, and the amount a state would have received under the BBA of 1997. Based on CBO's CPI estimates, California's annual DSH allotment would be \$999.4 million in FFY 2004, \$1,021.4 million in FFY 2005, and \$953.9 million in FFY 2006.

The County's Washington, D.C. advocates will support the House Medicaid DSH provision because it would provide a greater increase in DSH funding for California over a longer time period than the Senate version.

Undocumented Immigrant Emergency Health Reimbursement

The Senate bill would appropriate \$250 million a year in FFYs 2005 through 2008 to reimburse the cost of emergency medical care provided by state and local governments, hospitals, and other providers to undocumented immigrants. Under the Senate bill, from the amount allotted to each state, the Secretary of Health and Human Services (HHS) would make direct payments to eligible recipients to reimburse their uncompensated costs. Each year, \$167 million would be allotted to each state based on their percentage share of the total undocumented immigrant population, as determined by the Immigration and Naturalization Service (INS) as of January 2003, based on the 2000 decennial census. The remaining \$83 million would be distributed among the six states with the highest number of undocumented immigrant apprehensions based on their percentage share of such apprehensions during the most recent four quarters. The House bill does not have this provision.

The California Institute has estimated that California would receive \$72.2 million a year of which \$57.7 million would be received based on its 31.55% share of the total undocumented immigrant population as of January 2003, according to INS estimates. The Institute estimated California's share of funding allocated based on the most recent available undocumented immigrant apprehension data, which is likely to change by the time funds would be allotted for FFY 2005 and subsequent years.

Each Supervisor
July 1, 2003
Page 3

The County's Washington advocates will support this Senate provision, which would provide funding to reimburse the County's undocumented immigrant emergency health costs.

Legal Immigrant Health Benefits

Under current law, legal immigrants who entered the U.S. after August 22, 1996 are ineligible for Medicaid and the State Children's Health Insurance Program (SCHIP) during their first five years in the country. The Senate bill would provide states with the option to lift this five-year ban for legal immigrant children and pregnant women in FFYs 2005 through 2007. The House bill does not deal with this subject. The County's Washington, D.C. advocates will support the Senate provision based on existing Board policies supporting proposals to provide states with the flexibility to expand eligibility to legal immigrants and to expand Medicaid, SCHIP, and health insurance coverage to more persons.

We will continue to keep you advised of any new developments.

DEJ:GK
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c: Executive Officer, Board of Supervisors
 County Counsel
 All Department Heads
 Legislative Strategist